

RNS Number : 6582H
Renewable Energy Generation Ltd
02 December 2015

Renewable Energy Generation Limited ("the Company" or "REG")

Proposed Sale of the Group's Business including the Related Party Transaction, Delisting, Winding Up and Return of Cash to Shareholders

Notice of Extraordinary General Meeting

Summary

The Board announces the recommended disposal of the entire business of the Company for cash in a transaction with a fund managed by BlackRock that values the Company's equity before exit costs, at £64.5 million.

Following completion of the Sale and Delisting, it is proposed that Liquidators be appointed pursuant to oversee a liquidation process during which the majority of the net cash proceeds of the Sale will be returned to Shareholders.

The target initial (and likely final) liquidation distribution is expected to be approximately 60.0 pence per Ordinary Share which should be payable on or around 29 January 2016. On conclusion of the liquidation a maximum final distribution (if any) of up to a further 0.3 pence per Ordinary Share will be made.

The initial liquidation payment represents a premium of 61.1 per cent. to the closing price of an Ordinary Share on 8 October 2015, the day immediately prior to the announcement by the Company of receipt of the initial non-binding offer.

The Sale is conditional only on approval by more than 50% of the votes cast (in person or by proxy) at the Extraordinary General Meeting ("the Sale Resolution").

In order to return cash to Shareholders by way of a liquidation payment, Shareholders approval is sought for the Delisting, Winding Up and Liquidation Resolutions (details of which are given below).

Background

On 18 June 2015, the newly elected UK Government announced the start of a process of dismantling green incentives. The proposed policy changes include the closure of the Renewables Obligation (RO) to onshore wind and ground-mounted solar projects, continued reductions to the small scale wind feed-in tariff (FIT), elimination of onshore wind from feed-in tariff contracts for difference (CFD FIT), stricter planning policies with respect to

onshore wind farms and elimination of the climate change levy (CCL) exemption for renewable generators.

Any one of these factors alone would have a significant impact on the Group but, taken together, the impact is profound.

Since the General Election, the Board has been assessing the impact of these policy changes on the Group's future. During this process, the Board received a non-binding offer for its trading subsidiaries, representing the business, assets and undertakings of the Company. The Offer was announced by the Board on 9 October 2015 and today the Board announces the Company has accepted the Offer, subject only to Shareholder approval.

Structuring and Related Party Transaction

The Offer is structured through two inter-conditional sale and purchase contracts:

- a conditional contract relating to the disposal of part of the Group's business, comprising its operating and consented wind and solar project assets, to a fund managed by BlackRock; and
- as a requirement of BlackRock, a second conditional contract relating to the disposal of the Group's remaining business to Helium Miracle 184 Limited, a new company owned by Manco EBT, established for the benefit of the Company's executive directors and members of senior management.

The Independent Directors have been advised by Smith & Williamson in relation to their assessment of the Offer and the Related Party Transaction.

Additional details

Shareholders' approval is being sought for the Sale, the Delisting and the Winding Up at an Extraordinary General Meeting to be held at Elizabeth House, 9 Castle Street, St Helier, Jersey, JE2 3RT at 10.00 am on 18 December 2015. A circular convening the Extraordinary General Meeting has been sent today to shareholders and other persons entitled to receive it. An application has been made to the London Stock Exchange for the cancellation of the admission to trading on AIM of the Ordinary Shares. Subject to completion of the Sale and the passing of the Delisting Resolution at the EGM, it is expected that cancellation of the admission of the Company's Ordinary Shares to trading on AIM will occur at 7.00 a.m. on 5 January 2016.

Immediately upon Delisting, the Winding Up will commence and the Liquidators will be appointed to undertake the liquidation of the Company and the Return of Cash to Shareholders. Shareholders on the Register on Delisting will be eligible to participate in the Return of Cash. The Directors have appointed Philip Braun and Matthew Corbin of BDO Limited as Liquidators, subject to the Shareholders approval of the Sale, Delisting, Winding Up and Liquidation Resolutions.

This summary should be read in conjunction with, and is subject to, the full text of the following announcement.

Enquires

Renewable Energy Generation Mike Liston, Chairman +44 (0)1483 901 796
Andrew Whalley, CEO

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Smith & Williamson Corporate Finance Limited	Martyn Fraser Sara Thompson	+44 (0)117 376 2213

Expected timetable of events

Circular and Form of Proxy posted	2 December 2015
Latest time and date for receipt of Form of Proxy for EGM	10.00 a.m. on 16 December 2015
EGM	10.00 a.m. on 18 December 2015
Completion of the Sale	23 December 2015
Completion of the Option Exercise	24 December 2015
Admission to AIM of Option Shares	4 January 2016
Delisting from AIM and Record Date	7.00 a.m. on 5 January 2016
Commencement of the Winding Up	7.00 a.m. on 5 January 2016
Target first cash liquidation distribution to Shareholders pursuant to the Return of Cash	29 January 2016

Notes:

1. References to times in this document are to the prevailing time in Jersey. All dates and times are subject to change. If any of the above dates and times should change, the revised dates and/or times will be notified to Shareholders by an announcement on a regulatory information service.

2. All events following the EGM are conditional upon approval by Shareholders of the relevant Resolutions required to give effect to the event concerned.

3. On commencement of the Winding Up the liquidation of the Company will be advertised. There will be a 21 day period during which creditors of the Company will have the opportunity to raise a claim.

This announcement is not intended to, and does not, constitute or form part of any offer, invitation or the solicitation of an offer to purchase, otherwise acquire, subscribe for, sell or otherwise dispose of, any securities, whether pursuant to this announcement or otherwise.

The distribution of this announcement in jurisdictions outside of the United Kingdom may be restricted by law and therefore, persons into whose possession this announcement comes should inform themselves about, and observe, such restrictions. Any failure to comply with the restrictions may constitute a violation of the securities laws of any such jurisdiction.

This announcement contains forward looking statements including, without limitation, statements containing the words "believes", "estimates", "anticipates", "expects", "intends", "may", "will", or "should" or, in each case, their negative or other variations or similar expressions. Such forward looking statements involve unknown risks, uncertainties and other factors which may cause the actual results, performance or achievement of the Company, or industry results, to be materially different from future results, performance or achievements expressed or implied by such forward looking statements.

Given these uncertainties, persons reading this announcement are cautioned not to place any undue reliance on such forward looking statements. These forward looking statements apply only as at the date of this announcement. Subject to its legal and regulatory obligations, the Company expressly disclaims any obligations to update or revise any forward looking statement contained herein to reflect any change in expectations with regard thereto or any change in events, conditions or circumstances on which any statement is based unless required to do so by law or any appropriate regulatory authority.

Letter from the Chairman of Renewable Energy Generation Limited

"Dear Shareholder

Proposed Sale of the Group's business, including the Related Party Transaction, Delisting, Winding Up and Return of Cash to Shareholders and Notice of EGM

1. Introduction

The Board announced today the recommended disposal of the entire business of the Company in a transaction valuing the Group's equity before exit costs, at £64.5 million. This document provides you with the background to and reasons for the disposal and convenes the

Extraordinary General Meeting for the purpose of seeking Shareholder approval of the Proposals.

On 18 June 2015, the newly elected UK Government announced the start of a process of dismantling green incentives. The proposed policy changes include the closure of the Renewables Obligation (RO) to onshore wind and ground-mounted solar projects, continued reductions to the small scale wind feed-in tariff (FIT), elimination of onshore wind from feed-in tariff contracts for difference (CFD FIT), stricter planning policies with respect to onshore wind farms and elimination of the climate change levy (CCL) exemption for renewable generators. Any one of these factors alone would have a significant impact on the Group but, taken together, the impact is profound. Since the General Election, your Board has been assessing the impact of these policy changes on the Group's future.

During this process, the Board received a non-binding offer for its trading subsidiaries, representing the business, assets and undertakings of the Company (Offer). The Offer was announced by the Board on 9 October 2015 and today your Board has announced that the Company has accepted the Offer, subject only to Shareholder approval.

The Offer is structured through two inter-conditional sale and purchase contracts:

- a conditional contract relating to the disposal of part of the Group's business, comprising its operating and consented wind and solar project assets, to RI Income Holdings Limited (BlackRock), a company controlled by BlackRock Renewable Income Fund;
- as a requirement of BlackRock, a second conditional contract relating to the disposal of the Group's remaining business to Helium Miracle 184 Limited (Manco), a new company owned by the Manco EBT;
- to enable the Company to return the majority of the sale proceeds to Shareholders through a winding up process, Manco has agreed to assume certain contingent liabilities relating to warranties and indemnities given by the Group in connection with previous sale transactions, the Group's employment-related liabilities, a guarantee over third party debt and guarantees given by the Company to more than one of the Group's subsidiaries relating to leasehold obligations.

On completion of the Sale, Manco is required to enter into the Construction Management Agreements with BlackRock, to complete the construction of the consented assets. Manco is also required to enter into the Asset Management Agreements and the Asset Investment Agreement with BlackRock.

BlackRock will also have a "first look" option to acquire assets to be developed by Manco.

Manco is controlled by the Manco EBT, established for the benefit of the Company's executive directors and members of senior management and, accordingly, on receiving the Offer, the Independent Directors appointed Smith & Williamson to advise them in relation to their assessment of the Offer. Further information about Manco is set out in Part 2 of this Circular.

The Proposals will generate an estimated net cash distribution, net of all exit costs, of approximately 60 pence per Ordinary Share, representing a premium of 61.1 per cent. to the

closing price of an Ordinary Share on 8 October 2015, immediately prior to the announcement by the Company of receipt of the offer.

As part of the Proposals, the Group's net debt will be acquired pursuant to the Share Purchase Agreements. At 30 November 2015, the latest practicable date prior to publication of this Circular, net debt comprised £18.8 million, being £26.2 million of debt, £2.6 million of restricted cash and £4.8 million of unrestricted cash. The Proposals therefore represent an enterprise value of approximately £91 million which is cash funded and not subject to any financing conditions.

The Independent Directors unanimously recommend that Shareholders vote (or submit voting instructions to vote) in favour of the resolutions to be proposed at the Extraordinary General Meeting. In reaching this recommendation, the Independent Directors wish to draw Shareholders' attention to the following key aspects of the Proposals:

- the Independent Directors have considered the alternative strategy of continuing to operate the Company as an independent entity. They have also considered the sale of assets on a piecemeal basis through a competitive sale process. However, they have concluded that the Sale is in the best interests of Shareholders as a whole. The Sale, Delisting and Winding Up to return cash to Shareholders therefore form the recommended transaction. The Independent Directors have reached this conclusion due to factors including (inter alia):

- (i) the certainty it provides to Shareholders in terms of a return of cash in the context of great uncertainty within the UK renewables sector;

- (ii) that BlackRock's valuation of the operational assets is consistent with the methodology adopted on previous asset disposals, having taken into account factors such as the elimination of the CCL, and inflation assumptions;

- (iii) the operational assets comprise eleven small sites, some of which have already been operating for over eight years. The ability to secure value for these through a portfolio sale eliminates the significant risk that would attach to a piecemeal disposal of such assets;

- (iv) the relative size of the consented assets and level of uncertainty and construction risk being assumed by BlackRock;

- (v) that BlackRock has ascribed value in respect of the consented assets on the basis that it is able to fund construction of these assets such that they qualify for the RO or the FIT. This preserves approximately £14.3 million of value at risk in these projects;

- (vi) the establishment of Manco relieves the Company of real and contingent liabilities that would reduce any return to Shareholders in the event of a voluntary winding up of the Company; and

- (vii) that in the weeks since the Company's announcement of the receipt of the Offer, the Company has not received competing offers for its shares or all or part of its assets from any other party.

The consequences for Shareholders that would result in the event that any of the Resolutions are not approved, would be that the Company would not be able to raise debt or equity capital

to unlock value in the consented assets, where speed is of the essence, and there can be no certainty whether the Company could successfully raise such funds or as to the terms on which such funds could be raised which would have an adverse impact on the Company's asset value.

All of the Directors and Management Team have signed irrevocable undertakings to vote in favour of the Resolutions (other than in relation to the first Resolution, in relation to which Andrew Whalley and David Crockford are prevented from voting). Following completion of the Sale, which will occur, subject to the Sale Resolution being passed, shortly after the EGM and subject to and conditional on the Delisting Resolution and the Winding Up Resolution being passed, it is proposed that the Liquidators be appointed pursuant to the Liquidator Resolution upon the commencement of the Winding Up immediately following the Delisting. The Liquidators will oversee a liquidation process during which it is proposed that the majority of the cash proceeds of the Sale (net of transaction costs) will be distributed to Shareholders at the earliest opportunity. Further details are set out in paragraph 6 of Part 4 of this Circular.

The target initial (and likely final) liquidation distribution (based on the assumptions set out in paragraph 6 of Part 4 of this Circular and on the assumption set out immediately after the table below) is expected to be approximately 60 pence per Ordinary Share which should, if the Resolutions are passed and the Pre-Distribution Matters are completed in accordance with the expected timetable set out in this Circular, be payable on or around 29 January 2016.

	£m	Pence per Ordinary Share ⁽¹⁾
Cash received pursuant to the Offer	64.5	60.8
Cash receivable pursuant to the Option Exercise	1.4	1.3
Cost of Sale	(1.3)	(1.2)
Cash retention for other liabilities to be settled in the course of the Winding Up	(0.6)	(0.6)
Amount attributable to Shareholders	64.0	60.3
Comprising:		
Target initial (and likely final) liquidation distribution on 29 January 2016	63.7	60.0
Maximum final distribution (if any)	0.3	0.3

(1) Based on the total number of issued Ordinary Shares after completion of the Option Exercise

The returns shown above are conditional, inter alia, on the Resolutions being passed and assume that all Options which are capable of exercise pursuant to the Option Exercise are exercised and are based on a number of other assumptions as set out in paragraph 6 of Part 4 of this Circular.

In connection with the Option Exercise, details of which are set out in paragraph 11 of Part 4 of this Circular, the Company may transfer up to 261,000 Ordinary Shares from treasury and up to 50,000 from the EBT Trustee and issue new Ordinary Shares to the extent necessary in satisfaction of the exercise of Options. If all Options which become capable of exercise, as a

result of the Proposals, are exercised, the Company will transfer from treasury or issue, in aggregate, up to 2.4 million Ordinary Shares resulting in an issued share capital comprised of approximately 106.1 million Ordinary Shares. The Ordinary Shares transferred from treasury will cease to be treasury shares and will have all the rights and restrictions of Ordinary Shares.

An application has been made to the London Stock Exchange for the cancellation of the admission to trading on AIM of the Ordinary Shares. Subject to the passing of the Delisting Resolution at the EGM, it is expected that cancellation of the admission of the Ordinary Shares to trading on AIM will occur at 7.00 a.m. on 5 January 2016.

Shareholders' approval is being sought for the Sale (including the Related Party Transaction), the Delisting, the Winding Up, the appointment of the Liquidators and the adoption of the New Articles at the EGM, to be held at 10.00 a.m. on 18 December 2015. The Notice of the EGM is set out in Part 6 of this document.

Please read the whole of this Circular and do not rely solely on the summarised information set out in this letter.

2. Background to and reasons for the Sale

Changes to the UK Renewables Regime

The election of the Government on 7 May 2015 has had a profound impact on the UK Renewables sector. On 18 June 2015, the Department of Energy and Climate Change confirmed the Government's intention to implement its General Election manifesto promise to end new public subsidies for onshore wind and transfer more planning powers to local communities in respect of new projects. The Secretary of State for Energy and Climate Change and the Secretary of State for Communities and Local Government each provided written statements in Parliament which, in summary, provided for:

- Great Britain-wide closure of the Renewables Obligation to onshore wind from 1 April 2016, one year earlier than planned;
- an intention to implement the Conservative Party's manifesto commitment to end new onshore wind when announcing plans to remove onshore wind from participation in further CFD FIT allocations; and
- planning guidance to be changed as of 18 June 2015 to require new onshore wind energy developments to be granted planning permission only if these are included within a local or neighbourhood development plan and it can be demonstrated that the scheme has the backing of the local community.

These changes are being made through a new Energy Bill which is passing through Parliament in the current session. It is anticipated this will include the granting of "grace periods" to UK onshore wind projects with, as of 18 June 2015, a planning consent, a grid connection offer and acceptance and evidence of land rights for the site on which the project is to be built.

On 8 July 2015 the Government further announced its intention to discontinue the CCL exemption for renewable generators with effect from 1 August 2015, meaning that Levy Exemption Certificates would not be available for renewable electricity generated after that date. The CCL has been a key component of the renewable support regime in the UK since 2001 and the renewable industry had understood that phase-out would not start until after 2020.

Further adverse policy changes since the 2015 General Election have also contributed to a deterioration of investor confidence in the renewables sector. These include the removal of sub-5MW ground-mounted solar projects from the RO from April 2016, changes to FIT to prevent pre-accreditation of projects and proposals to drastically reduce tariffs under the FIT for wind, hydro and solar PV. All of these proposals impact adversely on the Group's existing and future business opportunities.

The proposed legislative and planning changes have, in the Directors' opinion, further impacted the willingness of the banking sector to provide long term debt to UK onshore wind projects before the legislation gains Royal Assent, currently anticipated to be in March 2016 and, until this time, the Directors believe that lending is more difficult to secure on acceptable terms.

Impact of these changes on REG

The Group's stated strategy had been to transition from a wind power development business to a wind power generator. The Group had previously sold some 60.5MW of assets, generating net proceeds of £53.8 million as part of its strategy to "develop and sell to develop and hold". As at 18 June 2015, the Group had 34.7MW of operating wind plant, 0.8MW of projects under construction and 42MW of consented projects awaiting funding to construction. Funding was to be provided by a mix of project finance, a ZDP share issue and the sale of a final tranche of selected assets to BlackRock.

Government policy announcements had an immediate impact on delivery of this strategy:

- the Group has made provision for approximately £12.8 million of impairments to investment in certain of its projects, which risked being incapable of completion before the premature closure of the RO. This covered approximately 200MW of UK onshore wind projects and 80MW of UK onshore solar projects which, based on the historic consenting levels, would have been expected to create considerable value for Shareholders;
- the Group reported an immediate reduction in EBITDA from its operating plant of £0.4 million due to elimination of the CCL;
- the Board cancelled the £30 million ZDP share issuance when investors, reacting to policy chaos, demanded terms which the Board considered detrimental to Shareholders; and
- a redundancy programme was implemented to reduce the Group's overhead cost base by approximately £1.3 million per annum.

Projects in the procurement and construction phase

As at the date of this Circular, the Group has a portfolio of around 34.8MW of UK onshore wind projects in procurement or construction. The construction costs that remain to be incurred in respect of these 6 sites is approximately £47.2 million.

Site	Status	Anticipated number of turbines	Anticipated MW	Anticipated Commercial Operations Date
Mynydd Portref	Consented	6	12.0	January 2017
French Farm	Under construction	2	4.0	July 2016
Rodbaston	Under construction	2	4.0	July 2016
Brackagh Quarry	Under construction	3	6.0	September 2016
Mynydd Brombil	Consented	4	8.0	October 2016
Barlborough	Under construction	1	0.8	January 2016

The first four of these projects are expected to benefit from the "grace period" proposed by the Government. Accordingly, the Board currently anticipates that these four projects will be developed and delivered within the RO. These projects will be acquired by BlackRock which will assume the full construction risk (assuming the Sale Resolution is passed and the BlackRock Share Purchase Agreement completes) despite the uncertainties which remain in relation to these projects.

Mynydd Brombil received planning permission on 10 July 2015 and is therefore outside of the proposed "grace period" but has a pending application for pre-accreditation under the Community FIT regime.

Barlborough, is already pre-accredited under the FIT regime.

The circular sent to you in May 2015 in relation to the planned ZDP issuance referred to the 12MW Hallburn project in Cumbria. This project has a planning condition preventing its construction until a radar mitigation scheme has been agreed with the local planning authority in respect of mitigating the impacts of the development on the RAF Spadeadam primary surveillance radar. Discussions with the Ministry of Defence are ongoing and consequently the project does not form part of the Group's portfolio of projects in the procurement and construction phase.

Operational Wind Power Assets

As at the date of this Circular, the Group has a portfolio of around 34.7MW of operational windpower sites generating revenue of approximately £9.1 million in the year ended 30 June 2015 with an EBITDA of £7.0 million.

Site	Date of commencement of operations	Number of turbines	MW
High Sharpley	February 2007	2	2.6
High Pow	March 2007	3	3.9
Braich Ddu	November 2007	3	3.9
Roskrow Barton	January 2008	2	1.7
Whittlesey	September 2008	1	1.8
Ramsey	September 2008	1	1.8
Loscar	October 2010	3	4.5
High Haswell	March 2011	2	4.0
Burnthouse Farm	June 2013	3	6.0
Orchard End	March 2013	2	4.0
High Down	March 2014	1	0.5

Operational Ground Mounted Solar Assets

In October 2015, the Group completed the construction of the 2.64MWp Mendennick Solar project, a ground-mounted solar PV scheme located on the Rame Peninsula in Cornwall, UK. The project is currently undergoing commissioning tests and is expected to be fully operational in early 2016. The project was developed and built using the Group's own capital resources at a total construction cost of around £2.75 million.

Effect of the Sale

Under the Proposals and assuming the Sale Resolution is passed at the EGM, each of the projects in its procurement and construction phase will be sold to BlackRock, as well as the operational wind power assets and the Mendennick Solar project referred to above, pursuant to the BlackRock Share Purchase Agreement.

Manco will, assuming the Sale Resolution is passed, acquire the Rump Assets. Further detail about Manco is set out in Part 2 of this Circular.

Delisting from AIM

As part of these Proposals, the Board will seek the cancellation of the Ordinary Shares from admission to trading on AIM. Pursuant to Rule 41 of the AIM Rules, Delisting requires the consent of not less than 75% of votes cast by Shareholders (in person or by proxy) at a general meeting. The Company has notified the London Stock Exchange of the proposed cancellation and delisting. If Shareholders approve the necessary Resolutions, it is anticipated that the last day of dealings in the Ordinary Shares on AIM will be 4 January 2016 and the Delisting Date will be at 7.00 a.m. on 5 January 2016.

Further details on the proposed Delisting are set out in section 4 below.

Related Party Transactions

Manco is a Related Party of the Company pursuant to the AIM Rules. The Board has therefore appointed a committee comprising the Independent Directors to assess the merits of the Offer. As a result, the executive directors of the Company, who are related parties for the purposes of the AIM Rules, have been excluded from the discussion, recommendation and

voting in relation to the Sale and will be unable to exercise any vote in their capacity as Shareholders at the EGM with respect to the Sale Resolution.

3. Winding up and Return of Cash

Subject to and conditional upon the passing of Resolutions 1, 2 and 3 and completion of the Sale, the Option Exercise, Admission and the Delisting, the Liquidators will start the Winding Up. The Winding Up will commence with effect from Delisting.

In the course of the Winding Up, the Return of Cash will be made by the Liquidators to Shareholders whose names are recorded on the register of members of the Company on the Record Date.

Shareholders without CREST accounts

Cheques in respect of the first liquidation distribution are expected to be dispatched on 29 January 2016 to Shareholders who do not hold their Ordinary Shares in CREST accounts. Cheques will be dispatched at the Shareholders' own risk.

Shareholders with CREST accounts

It is expected that CREST accounts will be credited with the proceeds of the first liquidation distribution on 29 January 2016.

The Company's CREST facility will be maintained until completion of the Winding Up to facilitate the payment by the Liquidators of the first liquidation distribution and any residual liquidation distribution. Payments will be made to Shareholders whose names are recorded on the register of members of the Company on the Record Date. Payments will be rounded down to the nearest whole pence.

4. Process for Delisting and its effects

AIM

In accordance with Rule 41 of the AIM Rules, the Company has today notified the London Stock Exchange of the intention to delist, subject to the passing of Resolutions 1 and 2 and completion of the Sale and the Option Exercise. Under the AIM Rules, it is a requirement that the Delisting is approved by not less than 75% of votes cast by Shareholders (in person or by proxy) at the EGM. Upon the Delisting becoming effective, the Company will no longer be required to comply with the rules and corporate governance requirements to which companies admitted to trading on AIM are subject, including the AIM Rules, and the appointment of Smith & Williamson as nominated adviser and Cenkos as broker to the Company will cease.

Subject to and conditional upon Resolutions 1 to 4 being passed, completion of the Sale, completion of the Option Exercise and Admission, and the Delisting becoming effective, the appointment of each of the Directors will be terminated upon commencement of the Winding Up immediately following the Delisting and the appointment of the Liquidators as liquidators to the Company will commence.

Following the Delisting, the Ordinary Shares will not be traded on any public market. The Company's CREST facility will be cancelled after the Winding Up is completed.

The Ordinary Shares will not be transferable following the Delisting, except with the written approval of the Liquidators or Directors (as the case may be) (and subject to the provisions of the New Articles).

Existing share certificates remain valid until completion of the Winding Up.

5. EGM and explanation of the Resolutions

The EGM to consider and, if thought fit, pass the Resolutions, will be held at the Company's registered office at Elizabeth House, 9 Castle Street, St Helier, Jersey JE2 3RT at 10.00 a.m. on 18 December 2015. The notice of the EGM is set out in Part 6 of this document.

Resolution 1

In order to complete the Sale, an ordinary resolution of Shareholders must be passed to approve the Sale. This is the Sale Resolution, and it will be passed if a simple majority of the votes cast (in person or by proxy) are in favour. The Sale Resolution is not conditional on any of the other Resolutions being passed.

Resolution 2

The Delisting Resolution proposes that, conditional upon completion of the Sale, completion of the Option Exercise, the Admission, admission to trading of the Ordinary Shares on AIM be cancelled on the Delisting Date. In accordance with the AIM Rules, the Delisting Resolution requires at least 75% of the votes cast (in person or by proxy) to be in favour.

Resolution 3

The Return of Cash will only be made in the course of the Winding Up. The Winding Up Resolution proposes that, conditional upon the passing of the Sale Resolution and the Delisting Resolution and completion of the Sale and completion of the Option Exercise and the Admission and the Delisting, the Company shall be wound up summarily. In terms of the Winding Up Resolution, such winding up will commence with effect from Delisting at 7.00 a.m. on the Delisting Date. The Winding Up Resolution must be passed as a special resolution, and will be passed if at least two-thirds of the votes cast (in person or by proxy) are in favour.

Resolution 4

The Liquidator Resolution proposes that, conditional upon the passing of each of the Sale Resolution, the Delisting Resolution and the Winding Up Resolution and completion of the Sale, completion of the Option Exercise, Admission and Delisting, the Liquidators shall be appointed.

There is no obligation under the Law or the Articles to appoint a liquidator for the purposes of a summary winding up. However, given the complexity of the Company's affairs and the nature of the Proposals the Independent Directors consider that it is in the best interests of

Shareholders if an independent liquidator conducts the Winding Up. Pursuant to the Law, the proposal to appoint the Liquidators will need to be made by way of a special resolution on or after commencement of the Winding Up. The Liquidator Resolution must be passed as a special resolution and will be passed if at least two-thirds of the votes cast (in person or by proxy) are in favour. The Law sets out the statutory provisions as to the qualifications that a liquidator must hold. If the Liquidators are appointed, pursuant to the Law:

- all powers of the Directors in respect of the Company cease and are exercisable only by the Liquidators;
- the Liquidators may be removed by the passing of a special resolution of the Company for the Liquidators' removal. The Liquidators will be required to vacate their appointment as Liquidators if they cease to be qualified to hold office as a liquidator; and
- during the period that the Company is being wound up, every invoice, order for goods or services or business letters issued by or on behalf of the Company must contain a statement that it is in liquidation.

Resolution 5

The Articles Resolution proposes that, conditional on the passing of each of the Sale Resolution, the Delisting Resolution, the Winding Up Resolution and the Liquidator Resolution and completion of the Sale, the Option Exercise, Admission and the Delisting, the Articles be amended and restated. The current Articles of the Company contain a number of provisions that are not suitable or required following the Delisting including, without limitation, provisions relating to the market purchase of shares, uncertificated shares, the London Stock Exchange, AIM and the AIM Rules. It is therefore proposed to replace the Articles with a standard form of articles of association for a Jersey public company that is not listed on an exchange, incorporating restrictions on transfers of Ordinary Shares so that such shares on commencement of the Winding Up shall not be transferable without the written consent of the Directors or the Liquidators (as the case may be). A copy of the New Articles is available to Shareholders on request to the Company and will be available for inspection at the EGM. The Articles Resolution must be passed as a special resolution and will be passed if at least two-thirds of the votes cast (in person or by proxy) are in favour.

6. Action to be taken

You will find enclosed with this document a Form of Proxy for use in respect of the EGM.

Whether or not you intend to be present at the EGM, you are requested to complete and sign the Form of Proxy and return it, in accordance with the instructions printed on it, by post or (during normal business hours only) by hand to Capita Asset Services, PXS1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF so as to arrive as soon as possible and, in any event, not later than 10.00 a.m. on 16 December 2015. Completion and return of the Form of Proxy will not prevent you from attending the EGM and voting in person should you wish to do so.

7. Irrevocable Undertakings

Pursuant to the terms of the Irrevocable Undertakings, the Independent Directors and Management Team other than Andrew Whalley and David Crockford (together holding

103,268 Ordinary Shares in aggregate, representing approximately 0.1% of the Company's issued Ordinary Shares as at 30 November 2015) have irrevocably undertaken to the Company on a several basis:

- to vote and/or procure the vote of all of their respective holdings of Ordinary Shares in favour of the Resolutions; and
- not to sell or transfer or otherwise dispose of any or all of their respective Ordinary Shares unless and until the Sale is completed or the Share Purchase Agreements are terminated,

and Andrew Whalley and David Crockford (together holding 449,102 Ordinary Shares in aggregate, representing approximately 0.43% of the Company's issued Ordinary Shares as at 30 November 2015) have irrevocably undertaken to the Company on a several basis:

- to vote and/or procure the vote of all of their respective holdings of Ordinary Shares in favour of Resolutions 2, 3, 4, and 5 and to abstain from voting and/or procure the abstention from voting of their respective holdings of Ordinary Shares in relation to Resolution 1; and
- not to sell or transfer or otherwise dispose of any or all of their respective Ordinary Shares unless and until the Sale is completed or the Share Purchase Agreements are terminated.

8. Factors taken into account by the Independent Directors in their reaching their

Recommendation

In arriving at their unanimous recommendation to Shareholders of the matters set out in this Circular, the Independent Directors are mindful that the UK renewables sector is likely to remain challenging for the foreseeable future and that the Group faces significant risks from further legislative changes.

They have therefore considered and taken into account the attractiveness and certainty of an all cash offer from a purchaser with sufficient cash resources to build out consented projects, preserving value from the 34.8MW of partially completed projects, which otherwise risk failure to qualify within the RO grace periods, the reliability and speed of execution able to be delivered by a purchaser which is familiar with the Group's business and assets and the relatively low disposal costs payable in the sale of the entire assets of the Company in a single transaction as opposed to a more expensive phased disposal program.

In assessing the Proposals the Independent Directors have also given consideration to the following, non-exhaustive, factors:

- that BlackRock's valuation of the operational assets is consistent with the methodology adopted on previous asset disposals, having taken into account factors such as the elimination of the CCL, and inflation assumptions;
- it is a requirement of BlackRock that the Rump Assets be acquired by Manco pursuant to the Manco Share Purchase Agreement;
- the Proposals preserve value for Shareholders inherent in the Group's portfolio of consented assets by virtue of BlackRock being able to equity finance the estimated £47.2 million

remaining construction cost to overcome delays resulting from the current lack of availability of project finance on terms acceptable to the Group;

- BlackRock required limited due diligence and was therefore able to undertake an accelerated transaction to eliminate Shareholders' exposure to the cost drag to the Group that would result from a phased disposal programme;
- the Proposals release the Group from its exposure to employment-related liabilities that would otherwise crystallise under a phased disposal programme;
- the Proposals release the Company and the Group from exposure to other liabilities that may crystallise in a phased disposal programme including, but not limited to, a £4.6 million guarantee issued to Caterpillar in respect of the project financing of the Bio-Power plant at Whitemoor and other lease guarantee arrangements; and
- pursuant to the Proposals the Management Team's entitlements under the LTIP will lapse.

In the Independent Directors' view, the prospects of achieving higher prices for the Group's business and undertakings as a result of a phased disposal program are outweighed by the downside risks and value leakage for Shareholders caused by these issues.

9. Recommendation

Entering into the Manco Share Purchase Agreement constitutes a related party transaction pursuant to the AIM Rules. The Independent Directors consider, having consulted with the Company's nominated adviser, Smith & Williamson, that the terms of the Manco Share Purchase Agreement are fair and reasonable insofar as the Shareholders are concerned.

The Independent Directors, who have been so advised by Smith & Williamson, are of the opinion that the Sale and the other Proposals are in the best interests of the Company and Shareholders as a whole. In providing advice to the Independent Directors, Smith & Williamson has taken into account the Independent Directors' commercial assessments. Accordingly, the Independent Directors unanimously recommend that you vote in favour of the Resolutions, as they have irrevocably undertaken to do in respect of their own, and to procure to be done in respect of their affiliates', beneficial holdings amounting in aggregate to 84,631 Ordinary Shares representing approximately 0.08% of the issued ordinary share capital of the Company.

Yours sincerely,

Mike Liston

Chairman"

Definitions

Admission	the admission of Ordinary Shares to trading on AIM pursuant to the Option Exercise.
Aggregate Optionholder Loan	has the meaning given in paragraph 11 of Part 4 of this Circular.
AIM	AIM, a market operated by the London Stock Exchange.
AIM Rules	the AIM Rules for Companies published by the London Stock Exchange, as amended from time to time.
Articles	the Articles of Association of the Company at the date of this Circular.
Articles Resolution	the resolution to be proposed as a special resolution at the EGM, being Resolution 5, to approve the adoption of the New Articles.
Asset Investment Agreement	the agreement dated 1 December 2015 between BlackRock Investment Management UK Limited (1) Renewable Energy Generation Limited (2) and Helium Miracle 184 Limited (3) relating to provision of asset investment services.
Asset Management Agreements	the agreements between REG Windpower Limited and the BlackRock Sale Companies, relating to the operation and management of certain wind and solar projects.
BlackRock	RI Income UK Holdings Limited, registered in England and Wales with registered number 09327491.
BlackRock Sale Companies	REG Mynydd Brombil Limited, REG Mynydd Brombil Holdings Limited, Mendennick Solar Limited, REG Burnthouse Farm Limited, REG High Down PLC, Brackagh Quarry Windfarm Limited, REG Rodbaston Limited, REG French Farm Limited, REG Barlborough Limited, REG Tranche 1 Holdings Limited, REG Tranche 2 Holdings Limited, REG Orchard End Holdings Limited, REG Cholwich Town Limited, Mynydd Brombil Wind Farm C.IC., REG Mynydd Portref Limited, REG Roskrow Barton Limited, REG High Sharpley Limited, REG Braich Ddu Limited, REG Ramsey Limited, REG High Pow Limited, REG Loscar Limited, REG High Haswell Limited and REG Orchard End Limited.
BlackRock Share Purchase Agreement	the share sale and purchase agreement dated 1 December 2015 between the Company (1) and BlackRock (2) relating to the sale and purchase of the entire issued share capital of each of the BlackRock Sale Companies.
Board	the board of directors of the Company.
Business Day	a day (other than a Saturday, Sunday or public holiday) on which commercial banks are open for general business in London and Jersey.
Capita Asset Services or Registrars	Capita Registrars Limited, the registrars of the Company.

Caterpillar	Caterpillar Financial Services (UK) Limited registered in England and Wales with registered number 02538373.
Caterpillar Finance	the term loan facilities agreement of up to £4,834,000 dated 9 October 2014 entered into between Living Power Limited (1), certain original guarantors (2) and Caterpillar Finance as amended and restated from time to time.
Climate Change Levy or CCL	the tax on UK business energy use, charged at the time of supply.
Construction Management	the construction management agreements details of which are set out in Part 2 of this Circular.
Agreements	
CREST	the relevant system (as defined on the Regulations) in respect of which Euroclear UK & Ireland Limited is the Operator (as defined in the Regulations).
CFD FIT	feed-in-tariff contracts for difference, the new renewable incentive introduced under Electricity Market Reform.
Circular Company	this document. Renewable Energy Generation Limited, registered in Jersey with registered number 104742.
Delisting	the cancellation of the Ordinary Shares in issue as at the Delisting Date from trading on AIM.
Delisting Date	the date on which the Delisting takes place.
Delisting Resolution	the resolution to be proposed as a special resolution at the EGM, being Resolution 2, to approve the Delisting.
Directors	the board of directors of the Company.
EBT	the Renewable Energy Generation Employee Benefit Trust constituted by a trust deed dated 22 August 2014 between the Company and JTC Trustees Limited.
EBT Loan	has the meaning given in paragraph 11 of Part 4 of this Circular.
EBT Agreement	the agreement dated 1 December 2015 between the Company, JTC Trustees Limited, in its capacity as trustee of the EBT and REG Holdings Limited relating to the Option Exercise, the EBT Loan and the sale to the trustee of the EBT of Ordinary Shares acquired as a result of such Option Exercise.
EBT Trustee	JTC Trustees Limited, being the trustee of the EBT.
EGM or Extraordinary	the Extraordinary General Meeting of the Company to be held at 10.00 a.m. on 18 December 2015, notice of which is set out in Part 6 of this document.
General Meeting	
ESOS 1	the Renewable Energy Generation Limited Share Option Plan 2007.
ESOS 2	the Renewable Energy Generation Company Share Option Plan 2013.
FIT	the small-scale feed-in tariff.
Form of Proxy	the form of proxy enclosed with this document, for use by
	Shareholders in connection with the EGM.
Government Group	Her Majesty's Government of the United Kingdom. the Company and its subsidiaries and subsidiary undertakings from time to time.
Guernsey	the Bailiwick of Guernsey.

Independent Directors	Mike Liston, Nigel Le Quesne, Malcolm Kennedy, John Scally and Charlotte Valeur.
Irrevocable Undertakings	the irrevocable undertakings to vote in favour of the Resolutions from each of the Independent Directors and from Andrew Whalley and David Crockford to vote in favour of Resolutions 2, 3, 4 and 5 and to abstain from voting in relation to Resolution 1.
Jersey	the Bailiwick of Jersey.
Law	Companies (Jersey) Law 1991 (as amended).
LEC	levy exemption certificate.
Liquidators	Philip Braun and Matthew Corbin of BDO Limited.
Liquidator Resolution	the resolution to be proposed as a special resolution at the EGM, being Resolution 4 to approve the appointment of the Liquidators.
London Stock Exchange	London Stock Exchange plc.
LTIP	the Renewable Energy Generation Limited Long Term Incentive Plan 2013.
Management Team	Andrew Whalley, David Crockford, Ian Collins, Matthew Partridge, Stephen Booth and Simon Wannop.
Manco	Helium Miracle 184 Limited, registered in England with registered number 9890297.
Manco EBT	the Helium Miracle 184 Limited Employee Benefit Trust constituted by a trust deed dated 27 November 2015 between Manco and JTC Trustees Limited.
Manco Share Purchase Agreement	the share sale and purchase agreement dated 1 December 2015 between the Company (1) and Manco (2) relating to the sale and purchase of the entire issued share capital of REG Holdings Limited.
MW	mega watt.
MWp	mega watt peak.
New Articles	the new articles of association of the Company, proposed to be adopted at the EGM.
Offer	the offer for the business and assets of the Group, as defined in Part 1 of this Circular.
Optionholders	holders of Options.
Options	options granted under ESOS 1 or ESOS 2 (as the case may be).
Option Exercise	the exercise by Optionholders of some of their Options in accordance with the invitation made to them in the letter on or about the date of this Circular (as summarised at paragraph 11 of Part 4 of this Circular).
Option Exercise Date	the Business Day following the date of completion of the Sale.
Option Shares	the Ordinary Shares to be issued pursuant to the Option Exercise.
Ordinary Shares	the ordinary shares of ten pence each in the capital of the Company.
Pre-Distribution Matters	has the meaning given in paragraph 6 of Part 4 of this Circular.
Proposals	the Sale, the Delisting, the Winding Up, the appointment of the Liquidators, the adoption of the New Articles and the Return of Cash.
PV	photo voltaic.
Record Date	7.00 a.m. on the Delisting Date.
Regulations	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755), as amended from time to time.
Related Parties	Andrew Whalley, David Crockford and Manco.

Related Party Agreements	the Manco Share Purchase Agreement, the Asset Investment Agreement, the Construction Agreements and the Asset Management Agreements.
Related Party Transaction	the sale to Manco of REG Holdings Limited.
Renewables Obligation or RO	the financial mechanism by which the UK Government incentivises the deployment of large-scale renewable electricity generation by placing a mandatory requirement on licensed UK electricity suppliers to source a specified and annually increasing proportion of electricity they supply to customers from eligible renewable sources or pay a penalty.
Resolutions	the Sale Resolution, the Delisting Resolution, the Winding Up Resolution, the Liquidator Resolution and the Articles Resolution.
Return of Cash	the return of cash to Shareholders by way of a liquidation distribution or distributions as described in this Circular.
Rump Assets	the companies to be acquired by Manco pursuant to the Manco Share Purchase Agreement.
Sale	the proposed sale by the Company of the BlackRock Sale Companies to BlackRock and of the entire issued share capital of REG Holdings Limited to Manco pursuant to the terms of the Share Purchase Agreements.
Sale Resolution	the resolution to be proposed as an ordinary resolution at the EGM, being Resolution 1, to approve the Sale.
Shareholders	holders of Ordinary Shares.
Share Purchase Agreements	the BlackRock Share Purchase Agreement and the Manco Share Purchase Agreement.
Smith & Williamson	Smith & Williamson Corporate Finance Limited.
UK or United Kingdom	the United Kingdom of Great Britain and Northern Ireland.
Winding Up	the summary winding up of the Company in accordance with the Law.
Winding Up Resolution	the resolution to be proposed as a special resolution at the EGM, being Resolution 3, to approve the Winding Up.
ZDP	Zero Dividend Preference share.